

## SOME OF THE RICHMOND MEN WHO WORKED FOR FEDERAL RESERVE BANK



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which grow banking transactions and customs of trade, and trend of commerce and exchanges, and exchange of credits.

The jobbing and the manufacturing business of Richmond are further practical illustrations that she is a trading and distributing centre. Her jobbing business is \$80,000,000, and the value of her manufactures \$100,000,000.

#### 5.—Diversity of Industry and Agriculture.

As to diversity of industry and agriculture in the district which Richmond could serve better than any other location, it cannot perhaps be better illustrated than by giving the annual value of products of factories, farms, forests and mines, which are the principal divisions of labor.

The business of the Southern States as represented by industry in these divisions is as follows:

Factories .....	\$1,351,000,000
Farms .....	1,197,000,000
Forests .....	265,000,000
Mines .....	195,000,000

Total values of all products as above, \$3,908,000,000.

Dr. S. C. Mitchell, in his admirable paper read to you at the hearing given Richmond, states that:

"The diversity of interests in this region are as striking as its natural and economic unity."

Perhaps in no other division of the United States will you find so great a variety of interests.

The developing character of the district is of equal importance. Your committee shares with us the knowledge that it is within little more than two decades that this region began its real recovery from utter prostration, and that now its rate of progress exceeds that of any other portion of the country.

Mr. O. P. Austin, whom we have previously quoted, estimates the value of the merchandise handled in the district at \$5,000,000,000, or more than the entire incoming and outgoing foreign commerce of the United States.

Richmond is today, and probably always will be, the chief tobacco centre of the United States.

Four governments, or their chief tobacco interests, maintain the headquarters of their buyers, or handle their business through Richmond. Forty per cent of the tobacco crop raised in Virginia, North Carolina and South Carolina in 1913, came directly to Richmond for rehandling and manufacturing, and Richmond banks supplied the tobacco trade of Richmond in exchange to the various tobacco markets, and paid out in Richmond in 1913 the enormous sum of \$53,000,000, or 88 per cent of the total value of the crop in North Carolina, South Carolina and Virginia.

A considerable portion of this sum,

however, was sent to Kentucky and West Virginia. Of the total collections of internal revenue by the government from tobacco in its various forms for the year 1912, 20 per cent was collected from territory within a radius of eight hours from Richmond.

As to diversity of crops of the district, in their effect upon the demands for credit and currency, Richmond being situated at the northern limit of the district, occupies this incontestable advantage as a Federal reserve bank location. The climatic differences of the Southern States in their effect upon crop development come in orderly rotation up to Virginia. The demands upon the Federal reserve bank of Richmond would be uniform and continuous.

The peak of the load would doubtless be in the fall, but that would be the case everywhere else, and it is the purpose of the new law to provide for it.

Added to her advantages for assembling and manufacturing the products of industry, her facilities for distribution heretofore described are positively unsurpassed by any other Southern city.

We will give you a very recent concrete instance:

One of the very large corporations of this country, with headquarters at St. Louis, has just selected Richmond as one of two depots on the Atlantic Seaboard most advantageously located for the storage and distribution of its products, New York being the other point.

Richmond is a reserve centre of products.

6.—Capital Resources of the District. As to the confines and capital resources of the district of which Richmond is the logical and most advantageous location for a Federal reserve bank:

The rules laid down by the organization committee for their guidance are so just and wise that all men must acquiesce in and approve them.

Under the language of the law and the spirit and purpose of the act, we believe that the natural territory of a district, considering geographical convenience, natural boundaries, ease and quickness of communication and transportation, as great diversity of industry and agriculture as may be found anywhere, natural trend of business and exchanges, the banking customs and trade relations of a majority portion of the territory, the desires of a majority portion of the people, is embraced in the zone mapped out to be served by a Federal bank located in Richmond, namely:

North Carolina,  
South Carolina,  
Georgia,  
Florida,

Southern part of West Virginia, Part of Eastern Tennessee, Part of Eastern Kentucky.

These States have adequate national bank resources to contribute the necessary capital and reserves for a regional bank.

They also have a strong system of State banks, which would add largely to resources should these banks elect to enter the system, which possibly may not be counted upon in time for organization of the Federal banks.

National banking capital in the proposed district, according to the Comptroller's figures October 21, 1912:

	Capital Subscribed and for reserve bank
Virginia .....	\$1,758,000
North Carolina .....	1,130,000
South Carolina .....	675,000
Georgia .....	510,000
Florida .....	1,374,000
West Virginia .....	656,000
East Tennessee .....	495,000
East Kentucky .....	498,000
East Kentucky .....	78,000

\$100,500,000 \$6,050,000

The total capital and surplus of the State banks in the States named, including one-half of West Virginia, omitting for the moment those portions of Kentucky and Tennessee included in the zone, is \$63,000,000.

Now as to the net deposits requiring reserves:

	Net Deposits
Virginia .....	\$129,400,000
North Carolina .....	50,000,000
South Carolina .....	25,000,000
Georgia .....	50,000,000
Florida .....	32,000,000
West Virginia—say one-half .....	29,000,000

Total net deposits .....

Not taking into account the portions of Tennessee and Kentucky, included in the district, for lack of Comptroller's figures.

Classifying these as country banks, the amount of reserve required to be kept in the Federal reserve bank, under full operation of the act would be—

say 5 per cent, or .....	\$13,000,000
Government deposits divided in proportion to the capital involved would probably be, say 6 per cent, or .....	9,000,000
State banks might swell the amount, say .....	2,000,000
Full paid capital .....	6,000,000

Total probable resources, \$30,000,000. Omitting from consideration the note issuing powers of the bank, the resources would serve as a basis for the expansion of credit in the usual way to possibly \$75,000,000.

It is considered by many that the

credit business of these banks will far overshadow the note issue business, and we share that view.

Now the banking power of these banks is not to be measured solely by capital resources, but by their ability to acquire gold and to build up deposits and loans in the usual way upon their reserves as a base, and also by their note issue power upon this base.

It is estimated that the floating supply of gold or its representative in this country not in banks is approximately \$800,000,000, doing duty as currency, or hoarded.

It is certainly not performing its greatest economic function as currency.

In Federal reserve banks it would serve as the basis for two and one-half times its volume in a safe and sound currency, and it is clear that here is a large source of gold supply.

It is probable that with stable banking conditions, as one beneficial result of the act, gold will to a large extent cease to be hoarded, and gradually come from hiding.

The total amount of borrowings and redemptions of all the Southern States, excluding Texas, was, on October 21, 1912, about \$40,000,000, and of the States named \$25,000,000.

It is clear that the resources of a Federal reserve bank in the district mapped out would be entirely adequate to serve the district.

Furthermore, it is to be borne in mind that the reserve figured upon is the minimum reserve; and if the banks make any use whatever of the Federal banks they will be compelled to keep more of their reserve with them.

The area covered would be about 250,000 square miles and the population about 16,000,000.

7.—Wholes and Views of the Banks and People in the District and Their Present Banking Connections.

In Virginia, out of a total of 437 banks, 404 have voted for Richmond as first choice.

In North Carolina, out of a total of 486 banks, 373 have voted for Richmond as first choice and sixty-nine as second choice.

In South Carolina, out of a total of 405 banks, eighty-two have voted for Richmond as first choice and 122 as second choice, Columbia being, of course, first choice; only eighteen of the remaining banks in South Carolina voted, and these were scattered.

The capital and deposits of the Southern States banks voting first for Richmond were greater than those voting first for their own city—Columbia. So that, out of a total of 1,328 banks in three States of the number voting, 863 gave Richmond as first choice, and 191 gave Richmond as second choice. Eliminating Charlotte and Columbia, 1,053 banks out of a total of 1,328 in the three States regard Richmond

as the proper location of their Federal reserve bank.

In West Virginia, in the southern half of the State, forty-nine banks have selected Richmond as first choice, and twenty-six as second.

Richmond has been designated as the preferred location by firms and individuals outside of Richmond, as follows:

Virginia .....	1,063
North Carolina .....	\$70
South Carolina .....	141
West Virginia .....	154

We are, therefore, fully justified in the statement that there is a very strong feeling in Virginia, North Carolina and South Carolina that they must be included together in any zone which may be formed, and that whatever territory may be incorporated in their zone, a Federal reserve bank located in Richmond would serve their interests better than if located in any other city.

The interests of these three States are too closely interwoven to be separated.

If any further corroboration can possibly be desired by the committee, we respectfully refer to the sentiments expressed by North Carolina, South Carolina and also by West Virginia bankers at the hearing given Richmond in Washington on January 15, and to the exhibit of resolutions, petitions, letters and telegrams accompanying this brief.

We respectfully submit that compliance with the letter and intent of the law, which declares that the Federal reserve districts shall be determined with due regard to the convenience and customary course of business, would demand that these three States shall be kept together in one district, so that their mutual trade and financial relations may not be disrupted or disturbed.

The district we have outlined is the most perfect geographical division of the country that can be carved out. Nature has placed her boundaries, and we believe it is an equally perfect economic unit. It is a political division equally sharply defined.

The inhabitants are more homogeneous than in any other division or part of the United States. All of these considerations have a practical bearing.

Our crops and the credits based upon them are distinctive, and the management of the regional bank should bear the closest relation to, and have the closest familiarity with, the needs and customs of the district. For this reason, as well as for all the foregoing reasons, whatever territory may be added to this zone, the headquarters of any bank organized to serve the zone, or any large part of it, should not be located north of Richmond.

This position and all of these conclusions are separately and independently confirmed by the learned and experienced authorities, Dr. S. C. Mitchell and O. P. Austin, former Chief of the Bureau of Statistics of the Department of Commerce, whose papers have been filed with you.

Finally, why Richmond can better serve the zone mapped out than any city in it, or any city in territory north of Richmond which might be added to the zone, and why Richmond may therefore be entitled to the location of a Federal reserve bank.

In the entire zone mapped out Virginia is the dominating State financially, and Richmond clearly the dominating city. Since Colonial times Virginia has been the dominating State in the South.

Richmond has played a part far ahead of any other city in the zone in its development from a banking point of view, an industrial point of view and a railroad point of view.

Long ago Richmond found that in this zone she had a preferential freight rate territory, and that in this territory the cities north of her could not compete on equal terms with Richmond. This preferential territory extends through the zone described to Southern Georgia and Alabama and the eastern State line of Mississippi.

It does not embrace the State of Florida, because of water competition. The territory is more graphically portrayed on the map which accompanies this brief.

The trade relations of Richmond in this territory, out of which spring banking relations and settlements, must continue to grow and more and more exclude cities north of Richmond.

The average first-class rate in the territory gives Richmond an advantage over—we will say Baltimore, by way of illustration, that being the next large city of commercial importance north of Richmond—gives Richmond an advantage of 11 2-10 cents per 100 pounds, or approximately 12 per cent.

This relative proportion in favor of Richmond applies to all class and commodity rates, and in some instances it is greater in favor of Richmond.

For full details, we refer to the statement of Mr. W. T. Reed, president of the Richmond Chamber of Commerce, which statement accompanies this brief.

Commercial supremacy in this territory must go hand in hand with banking supremacy, particularly under a natural and free system of banking.

Granting the selection of this territory, or any large part of it as a zone, the advantage of Richmond as a clearing point between zones, for the same reasons, would likewise exclude any Northern city.

It is firmly to be borne in mind, as

we understand, that the purpose of the Federal reserve act is to afford additional banking facilities to the people, and that Federal reserve banks shall be so placed as to best serve the people with reference to the operation of the system as a whole. Should Federal banks be placed in the three great cities of the East which we have named, that fact in itself, we believe, would justify exclusion from consideration the location of headquarters of another bank in any city north of Richmond.

They are not intended to be local, and for that reason branches are provided, and due consideration is not generally given to the power and facilities of these branches.

It goes without saying that this zone mapped out will be provided with these additional facilities, superior to any which they have heretofore enjoyed, by the location of a bank in Richmond, needs, and that the zone will be more independent of the financial considerations which have bound it to large money centres in the East; and this, too, was intended and can best be brought about by the location of a bank within the region described as a natural division of country.

Is there any man who doubts that, if State lines were obliterated and the country apportioned in these geographical divisions, Richmond would by acclaim be chosen the capital of this division?

Although resting our claims upon the financial strength and the economics of the situation, we have also those considerations in our favor which are most powerful in molding the character and identity of a nation.

Richmond has a place in the affections of the South which no other city possesses.

She has a place in the annals of the nation and the world, which is imperishable.

The debt of the nation to Virginia is inextinguishable.

It is difficult to see how this republic could have been formed but for Virginia.

Richmond has that dignity of standing, that atmosphere of sentiment and history, that position in science and learning which render her worthy of any honor or distinction that can be bestowed upon her, and the intelligent judgment of the whole country, having a knowledge of these considerations, would approve the location of a Federal reserve bank in Richmond.

The names of Virginians will be associated for all time in the financial history of this country with the Federal reserve act.

All of these considerations pre-eminently distinguish Richmond as the location of a Federal reserve bank.